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FISCAL IMPACT STATEMENT

LS 6996

BILL NUMBER: HB 1245

NOTE PREPARED: Jan 10, 2008

BILL AMENDED:

SUBJECT: Transit Districts.

FIRST AUTHOR: Rep. Austin

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill provides that a county, city, or town may establish a transit district to improve transportation infrastructure within the transit district. The bill also provides for a transit district commission consisting of five members to govern the transit district. The bill provides that a transit district captures a part of the: (1) Sales Taxes collected in the transit district; and (2) Adjusted Gross Income Tax withheld from the wages of employees that work in the transit district. The bill also provides that a transit district may issue bonds payable from captured sales tax and adjusted gross income tax revenues. This bill repeals the automated transit district statute.

Effective Date: July 1, 2008.

Explanation of State Expenditures: This bill will increase administrative expenditures of the Department of State Revenue (DOR). The DOR is required under the bill to determine the incremental amounts of Sales Tax and Adjusted Gross Income (AGI) tax collections that must be deposited in the Incremental Tax Financing Fund established under the bill by the Treasurer of State (Treasurer). Therefore, there will also be an indeterminable increase in the administrative expenditures of the Treasurer in being required to establish the Incremental Tax Financing Fund and administering that Fund.

Explanation of State Revenues: This bill will decrease state revenue from Sales Tax and AGI Tax. The amount of the decrease is indeterminable and will ultimately depend upon the number of transit districts established under the bill that would be entitled to receive incremental portions of Sales Tax and AGI Tax collections. There is no limit on the number of districts that can be created statewide. The bill also provides that no transit district may receive more than \$5 M in deposits over the life of the district. The calculation of the deposits is as follows:

For the Sales Tax the deposit is result of:

- (1) the total amount of Sales taxes remitted by businesses operating in the transit district during a state fiscal year; minus
- (2) the total amount of Sales taxes remitted by businesses operating in the territory comprising a transit district during the full state fiscal year that precedes the date on which the transit district was established.

For state and local individual income tax the deposit is the result of:

- (1) the total amount of the CAGIT, COIT, CEDIT and state AGI taxes paid by employees employed in the transit district with respect to wages and salary earned for work in the transit district during a state fiscal year; minus
- (2) both:
 - (A) total amount of the CAGIT, COIT, CEDIT and state AGI taxes paid by employees employed in the transit district with respect to wages and salary earned for work in the transit district for the state fiscal year that precedes the date on which the transit district was established; and
 - (B) tax credits awarded by the economic development for a growing economy board under IC 6-3.1-13 to businesses operating in a transit district as the result of wages earned for work in the transit district for the state fiscal year.

Background Information - Sales Tax revenue is deposited in the Property Tax Replacement Fund (50%), the state General Fund (49.067%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%). Revenue from the AGI Tax on corporations, the Financial Institutions Tax, and the Insurance Premiums Tax is distributed to the state General Fund. Eighty-six percent of the revenue from the AGI Tax on individuals is deposited in the state General Fund, and 14% of the revenue is deposited in the Property Tax Replacement Fund.

Explanation of Local Expenditures: There could be an increase in expenditures for the county treasurer of a county containing a transit district. The amount of any increase is indeterminable.

Explanation of Local Revenues: This bill will cause a decrease in county adjusted gross income tax (CAGIT), county option income tax (COIT), and county economic development income tax (CEDIT) collections. The amount of the decrease is indeterminable and will depend upon the number transit districts established in the state, and the amount of the income tax incremental amount determined by the DOR. The bill also provides that no transit district may receive more than \$5 M in deposits over the life of the district.

All state and local tax collections payable to a transit district are required to be deposited in the transit system tax increment fund. Money deposited in the transit system tax increment fund may be used by a transit district commission only for the following purposes:

- (1) The improvement, including construction and rehabilitation, of transportation infrastructure within the transit district.
- (2) The operation of transit systems within the transit district.
- (3) The payment of the principal of and interest on any obligations that are payable solely or in part from money deposited in the fund and that are incurred by the transit district for the purpose of financing or refinancing the development of transportation infrastructure in the transit district.
- (4) The establishment, augmentation, or restoration of the debt service reserve for obligations.

- (5) The payment of the principal of and interest on bonds issued by the transit district to pay for public facilities in or serving the transit district.
- (6) The payment of premiums on the redemption before maturity of bonds.
- (7) The payment of amounts due under leases payable from money deposited in the fund.
- (8) The reimbursement to the unit for expenditures made by the unit for public facilities in or serving the transit district.
- (9) The payment of expenses incurred by the transit district for public facilities that are in the transit district or serving the transit district.
- (10) For any purpose authorized by an agreement between a transit district and a public transportation corporation.

State Agencies Affected: Treasurer of State; Department of State Revenue.

Local Agencies Affected: Counties.

Information Sources:

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